the National Bank which had been removed during the War for safety to Moscow, and which the Bolsheviks now refused to return.

Another factor which further militated against a quick recovery was the state of utter destitution in which the Germans had left that part of the country which they had occupied, and which they had taken care to despoil of everything of value that was removable. Production being utterly disorganized, the requirements of the population had to be satisfied by mass import from abroad, which necessarily caused a drain on the exiguous gold reserves. This, coupled with the fiduciary increase necessitated by the redemption of the roubles, crowns, and banknotes issued by the Austro-Germans, depreciated steadily the Rumanian currency between 1919 and 1926.

Yet another cause which retarded the economic recuperation of the country was the agrarian reform, which during its initial stages naturally disorganized production, and imposed on the State a huge load of debt due to the necessity of providing funds wherewith the former owners of the land might be at least partially indemnified. All these causes contributed to the inflation of the fiduciary circulation, which from 4,431 million lei at the end of 1919 passed gradually to 20,126 millions in 1926, causing a corresponding depreciation of the leu, which, from its pre-war parity of five leu to the dollar, passed to 55 in 1920, 86 in 1921, 150 in 1922, and to as much as 220 in 1926. Since that date it has steadily improved until its stabilization in February, 1929, when the rate was fixed at 167 to the dollar or 31 lei to one Swiss franc, or 81.359 lei to the (gold) pound. This instability of the currency that had lasted until 1929, had created an atmosphere of uncertainty extremely detrimental to commerce and industry, and had seriously retarded their revival. And the precariousness of the situation was further accentuated by the serious budgetary deficits during the years 1919–1922. If it be remembered that during these years Rumania was confronted by other serious problems, the solution of which demanded an immense outlay incommensurate with the resources of the country, it must be admitted in fairness to the Rumanians that in spite of the very inade-

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conditioned by the fact that it was an agricultural country developing with the aid of foreign capital. A positive balance of trade was usually devoted to covering the invisible exports—interest on state borrowings and returns on foreign capital invested in the country. Under postwar circumstances, the fairly stable situation which had obtained before 1914 was thrown out of equilibrium as a consequence of war losses, the incurrence of war debts, and the decline in cereal exports. German investments, which had been of major importance before the war, were cut off and were not replaced by an equivalent influx from the West. Despite Rumania's generally favorable balance of trade, the balance of payments was negative.

Rumania's financial position was further weakened by the chronic instability of the leu. Following the First World War the leu depreciated until 1927. It was legally stabilized in 1929 with the aid of an international loan of $100 million. This effort, however, was wrecked by the depression and the collapse of central European finance in 1931. In the 1930's Rumania, though at a somewhat later date than the other Balkan states, was forced to introduce exchange controls and suspend a considerable portion of the foreign debt payment. The gradual move toward increasing financial and commercial controls was largely a consequence of exchange difficulties. Despite the relatively favorable commercial position, Rumania was even less successful than the other Balkan states in achieving monetary stability, and the value of the leu continued to decline. By 1939 the Rumanian monetary situation was altogether chaotic, and the diversity of the rates of the leu made it impossible to ascertain the real value of the money.[20]

It is beyond the scope of this study to analyze the tortuous course of Rumanian financial and monetary policy, which was extremely complicated, subject to frequent change, and not successful in achieving its aims. In general, the financial field showed Rumanian administration at its worst. While the real difficulty was basically that of an immature economy attempting to catch up with a world economy —itself in serious crisis—the fact that Rumania, although in a somewhat better commercial position than the other Balkan states, was even less successful in its financial policy must be attributed largely to the political circumstances of the 1930's.

To some extent Rumania's financial vicissitudes by-passed the peasant in so far as he was leading a self-subsistent, nonmonetary life. He was principally affected in his requirements for credit. Although, as has been mentioned above, the Rumanian peasant was not in a

20. Madgearu, *op. cit.*, p. 825.

241 656 435 the peasants and the reduced 1942 sowings both of grain and of sugar-beet indicated continued dissatisfaction. Finally, by the spring of 1943 a wiser ratio was reached, agricultural prices being four times as high as in 1939 and wholesale prices in general three and a half times as high. Nevertheless, this very considerable measure of inflation has shaken public confidence in the value of money so that peasants increasingly resort to barter transactions.

[458]

[655] In the hope of obtaining better control over grain supplies the Government in the autumn of 1941 nationalised the grain trade, later they relaxed this to the extent of leaving the export business to a few selected firms and the internal collection to the Army and to the National Institute of Co-operation. This body handled the pre-war grain marketing scheme, and their activities—because of the expulsion of Jews from wholesale and retail trade—have recently developed rapidly in the supply of seeds to peasants (80,000 tons of seed distributed in 1942) as well as consumers' goods to peasants and townspeople. But it still proved difficult to extract enough food from the peasants to feed the towns. For the 1943 harvest detailed regulations were made concerning the quantities the peasant might keep for seed, for his family and for his animals, and threshing operations were subjected to inspection. Yet these rules could not in practice be administered.

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423 471 It is now generally agreed in Rumania that the smallness of the holdings has been a principal obstacle to effective organisation of agriculture in war-time, and that a change to larger units of production is needed. Any approach to collectivisation on the Soviet model, however, would be regarded as contradictory to the land reform policy and a threat to the Rumanian State. The official policy, though it has not yet taken its final form, is to maintain private property but to proceed no further with expropriation and division of large estates, and to maintain existing medium holdings by prohibiting their sub-division for inheritance or other reasons. Schemes for the consolidation of strips are also contemplated for a more opportune moment. Further, in order to increase production and to improve the peasants' methods and standards of life, communal farming associations, known as *obştii*, are to be formed. In these associations farming equipment is to be pooled so that the small-holder would have the same resources as the large farmer. Each *obştie* is to embrace a village and perform all the functions of a co-operative, including joint purchase and sale, use of breeding animals, processing of crops, etc. Villages which are prepared to form themselves into *obştii* and to undertake to work the land according to State directions, are promised tractors, seed and breeding stock without payment. In this way it is hoped that some of the advantages of collectivisation may be achieved while retaining those of individual ownership. But, unless accompanied by far-reaching industrial development, the plan can but aggravate rural unemployment. It is not known how this innovation has been received by the peasants. It was reported in April 1943 that 270 of these communal associations had been formed—an insignificant number—and it is believed that the Government is allocating to them some of the tractors imported from Germany in the war years.*

474

241 The success of the *obştii* plan, and indeed of any plan for up-grading Rumanian agriculture, depends

* In June, 1943, a temporary ban was placed on the formation of any new *obştie*, because there was insufficient agricultural machinery to supply to them.